

Message Text

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PAGE 01 CALGAR 00191 080028Z
ACTION EUR-12

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FM AMCONSUL CALGARY
TO SECSTATE WASHDC 2369 PRIORITY
INFO AMEMBASSY OTTAWA
AMCONSUL MONTREAL
AMCONSUL QUEBEC

UNCLAS CALGARY 0191

E.O. 11652: NA
TAGS: ENRG, CA
SUBJ: TRANSCANADA PIPELINES PROPOSES EXTENSION OF
INTERPROVINCIAL PIPELINE

REF: CALGARY A-09

1. TRANSCANADA PIPELINES LTD. ANNOUNCED PLANS AT ITS APRIL 5 ANNUAL MEETING IN CALGARY FOR EXTENSION OF INTERPROVINCIAL PIPELINE EASTWARD TO QUEBEC CITY. FIRST PHASE OF THIS PROJECT, FOR WHICH APPLICATION HAS BEEN MADE TO NEB, CALLS FOR DOLS 88 MILLION GAS LINE FROM MONTREAL TO TROIS RIVIERES WITH POSSIBLE SHERBROOKE SPUR. TROIS RIVIERES SECTION COULD BE COMPLETED AS EARLY AS NOVEMBER 1979, AND PIPELINE COULD BE EXTENDED TO QUEBEC CITY IN 1980.

2. COMMENT: IF APPROVED, TRANSCANADA PROPOSAL WOULD SUPPLANT Q & M PIPELINE PROJECT OF ALBERTA GAS TRUNK LINE (AGTL) AND PETRO-CANADA (CALGARY A-09). TRANSCANADA WILL HAVE UP TO 200 BCF OF TAKE-OR-PAY GAS IN 1978, AND IS ANXIOUS TO EXPAND
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GAS SALES IN EASTERN CANADA AND TO KEEP AGTL OUT OF ITS TRADITIONAL MARKET AREA. TRANSCANADA HAS ENOUGH ALBERTA GAS UNDER EXISTING PERMITS TO SUPPLY TROIS RIVIERES SPUR FOR FIVE YEAR PERIOD BUT WOULD NEED ALBERTA GOVERNMENT APPROVAL OF ITS APPLICATION TO ERCB FOR ANOTHER 7 TCF IN ORDER TO FURNISH GAS OVER TIME TO TROIS RIVIERES AND QUEBEC CITY CUSTOMERS. COST OF EXTENDING TRANSCANADA SYSTEM BEYOND

MONTREAL WILL REQUIRE A SUBSIDY IN NEIGHBORHOOD OF 16 TO 22 CENTS AN MCF, AND WE ARE TOLD THAT TRANSCANADA'S NEB APPLICATION IS SILENT ON THIS SUBJECT. ALBERTA GAS PRODUCERS ARE ALREADY LETTING IT BE KNOWN THAT THEY WOULD BE UNWILLING TO SUBSIDIZE QUEBEC THROUGH REDUCTION IN PRODUCER NETBACK, AND IN OUR VIEW ALBERTA GOVERNMENT WOULD NOT BE WILLING TO GO ALONG WITH PRODUCER SUBSIDY ARRANGEMENT. TRANSCANADA S TROIS RIVIERES PROJECT ALSO SOURS ATMOSPHERE FOR APRIL 14 NEGOTIATIONS WITH FOOTHILLS ON ITS PARTICIPATION IN ALASKA GAS HIGHWAY PROJECT. FOOTHILLS HAS WANTED TRANSCANADA TO TAKE 49 PERCENT SHARE IN FOOTHILLS SASKATCHEWAN AND FOOTHILLS NORTHERN YUKON (THE DEMPSTER SPUR), AND A 20 PERCENT INTEREST IN FOOTHILLS YUKON AND TO PAY MORE THAN ITS PRO-RATA SHARE OF ALCAN EXPENDITURES MADE TO DATE. THERE SEEMS TO BE GROWING SUPPORT IN CALGARY OIL COMMUNITY FOR LOOPING OF TRANSCANADA SYSTEM AND SHORT TERM EXPORTS TO EASTERN U.S. AS QUICKEST AND MOST ECONOMICAL MEANS OF SOLVING PROBLEM OF SURPLUS ALBERTA GAS, AND FOOTHILLS EXECUTIVES SUSPECT THAT TRANSCANADA IS PROMOTING THIS OPTION WITH EASTERN U.S. SHIPPERS TO DETRIMENT OF THE ALCAN PROJECT.

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